

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name MANISTEE	County MANISTEE
Audit Date 3/31/04	Opinion Date 6/22/04	Date Accountant Report Submitted to State: 9/20/04	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

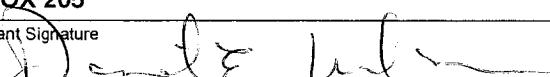
1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☒ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) WILSON, WARD CPA FIRM			
Street Address PO BOX 205	City INTERLOCHEN	State MI	ZIP 49643
Accountant Signature 		Date 9/20/04	

MANISTEE TOWNSHIP
MANISTEE , MICHIGAN

Audit Report

For Year Ended
March 31, 2004

Wilson, Ward CPA Firm
PO Box 205
Interlochen, MI 49643
(231) 276-7668

MANISTEE TOWNSHIP
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MANISTEE TOWNSHIP

Management's Discussion and Analysis

Using this Annual Report

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the Township as a whole and present a longer-term view of the Township's finances. Fund financial statements tell how these services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the Township's operations in more detail than the government-wide financial statements.

The Township as a Whole

The Township's combined net assets decreased 1% from a year ago - decreasing from \$1,828,921 to \$1,808,451. This was primarily caused by the payment for the completion of the parks. While there was a significant increase in real Capital Assets, there was a commensurate loss due to the change in accounting policy of recording only assets valued at greater than \$5,000 and the inclusion of depreciation. The schedules reflecting this year's status are found on page 7.

This year was the first year for the implementation of GASB 34 with the resulting changes in the financial position as reflected on the Governmental Funds Balance Sheet, Statement of Net Assets.

General Government expenses increased by about \$81 during the year. This was anticipated given the known problems within capital outlays. This was a substantial reduction from the initial budget.

The Township's Funds

Our analysis of the Township's major funds begins on page 9, following the entity wide financial statements. The fund financial statements provide detail information about the most significant funds, not the Township as a whole. The Township Board creates funds to help manage money for specific purposes as well as to show accountability for certain activities such as special property tax millages.

The General Fund pays for most of the Township's governmental services. The amount transferred to the General Fund is supported by a detailed calculation of the current year costs of the specific capital outlay approved by the Township Board.

General Fund Budgetary Highlights:

Over the course of the year the Township Board was able to maintain the township departments within their prescribed budgets

Capital Asset and Debt Administration:

As of March 31, 2004, the Township had \$276,290 invested in a broad range of capital assets, including buildings and fire equipment. In addition, the Township has invested significantly in major and local roads within the Township. These assets are not reported in the Township's

financial statements because of Michigan law which makes these roads the property of the County Road Commission (along with the responsibility to maintain them).

At the end of the 2003-2004 fiscal year, Manistee Township has invested in a broad range of capitol assets, including the buildings of the Manistee Township Hall on Holden Street, the Bridge Street Building, the former Newland School on Schoedel Road, and the Manistee Township Fire Hall building and equipment, two engines, two pumpers, and one brush rig. In addition Manistee Township has invested significantly in the improvement and maintenance of roads within Manistee Township.

Economic Factors and Next Year's Budgets and Rates:

Manistee Townships's 2004-2005 budget calls for only the allocated millage of 1.400 mills. Manistee Township has no voted millage. The state law mandated services, the services of the Manistee Township Fire Department, garbage pickup, annual trash day, 24/7 recycling services, and a grass and leaf dumpster are provided with no voted millage at this time.

This can be accomplished by the growth in our tax base. Because of the impact of Proposal A, however, the Township needs to continue to watch its budget very closely. The state-wide tax reform act limits growth in taxable value by less than inflation. The mathematical result of this is that the total taxable value for the Township will grow less than by inflation, before considering new property additions.

General Overview of the Accomplishments of Manistee Township in the 2003-2004 Fiscal Year:

Voted to join with the Northwest Michigan Council of Governments, MDOT, Filer Township, the City of Manistee, West Shore Hospital, and the Little River Band to form the US-31 Corridor Study.

The Camp Sauble workers painted the interior of the hall, buffed the floors of the large hall, and cleaned all wood cabinets and trim.

Voted to agree to pay \$4,400.00 for road right-of-way on River Road.

Manistee Township Board of Review heard more than 60 requests at their March meetings.

Voted to improve and black top Pomeroy Road at a cost of \$44,162.73.

Completed and paid for the Mathison Road project at a cost of \$84,287.08.

Appointed Jack Dinsen and Mike Willett to the Planning Commission for three year terms.

Appointed Clara Kraus Saari to the Manistee Township Zoning Appeals Board for three year term.

Held a Trash Day on May 17, 2003. More than 100 people registered with collection of three forty-yard dumpsters of metal and four forty-yard dumpsters of trash.

Approved a Wind Generating Ordinance, and an Animal Shelter zoning change for Manistee Township.

Agreed in protest to pay the county \$1.00 per parcel for generating the Summer Tax bills.

Approved the Heathlands Residential Development pending written approval from the Health Dept. and other agencies.

Approved Manistee Township Fire Department officers of John Dunlap, Chief, Dan Revolt, Captain, Jack Dinsen, Treasurer, Jack Watson, Secretary, and Paul Revolt, Asst. Chief.

Celebrated 30 years of fire service by the Manistee Township Fire Department.

The Manistee Township Fire Department held 53 meetings/training sessions, and answered 116 assistance calls for the 2003 calendar year.

All Manistee Township Fire Department trucks passed the MDOT inspections.

Rented an "eye appealing" Port-A-John for the Bar Lake Outlet. (No complaints this year!)

Maintained a leaf and grass dumpster available for use for seven months.

Maintained a plastic, glass, and metal recycling unit on a 24/7 basis for Manistee Township residents.

The Manistee Township Fire Department placed numbered signs on all fire hydrants in Manistee Township.

Leased the land north of the Fire Hall to Jim Sievert for his soil, gravel and stone storage.

Purchased a telephone system to replace the 17-year-old system at a cost of \$3,449.33.

Voted to have the hall and fire hall parking lots sealed and the cracks filled by Brian's Seal coating at a cost of \$3,175.00.

Adjusted the rental rates of the township halls for the first time in more than 10 years.

Purchased a copy machine for the office at a cost of \$2,145.00.

Purchased a digital camera for the assessing department.

Voted to build a web site for Manistee Township, which is complete.

Voted and repaired Bridge Street boat ramp.

Voted to purchase two benches for the Bar Lake outlet.

Published Summer and Winter Newsletters.

Voted to replace the tank on Manistee Township Fire Truck 51-33, at a cost of \$7,456.00.

Accepted with regrets the resignation of Francis Bartosiewicz from the Board of Review after 22 years of service.

Appointed Todd Mallison to fill the unexpired term of Francis Bartosiewicz on the Board of Review.

Manistee Township Fire Department acquired a pump to pump down the City hydrants they use to prevent the hydrants from freezing.

The Planning Commission worked with Wade Trim to rewrite the Manistee Township Zoning Ordinance.

Received updates on the Little River Band constructions from Dan Shepard.

The Manistee Township Board held 12 regular board meetings, one special meeting, and a public hearing.

The Planning Commission held 12 regular meetings, three ordinance work sessions and three public hearings.

The Zoning Appeals Board met nine times.

The Board of Review met five days - three in March, one in July and one in December.

Fifty-eight Land Use Permits; twelve Land Divisions; ten Appeals; three Zoning Amendments; three Special Use Permits; and three permits to demolish were handled by Zoning Administrator Rob Marble. Not all applications or appeals were granted.

The New Manistee Township Hall was rented approximately 50 times for board meetings and other governmental meetings. General rentals were 106 times in the year. Total rentals more than 156 days.

The Old Hall was rented 29 times for government and Boy Scouts, and an additional 51 other times. Total rentals at least 80 days.

Contacting the Township's Management:

This financial report is intended to provide our citizens, taxpayers, customers and investors with a general overview of the Township's finances and to show the Township's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the clerk's office at (231) 723-6507.

INTRODUCTORY SECTION

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Directors
Manistee Township
Manistee, MI

We have audited the general purpose financial statements of Manistee Township, Michigan, as of and for the year ended March 31, 2004, and have issued our report thereon dated June 22, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Manistee Township, Michigan's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Manistee Township, Michigan's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to management of Manistee Township, Michigan in a separate letter dated June 22, 2004.

This report is intended solely for the information and use of the audit committee, management, others within the organization, Board of Directors, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Wilson, Ward CPA Firm

Interlochen, MI
June 22, 2004

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

To Manistee Township Board
Manistee Township, Michigan

We have audited the accompanying general purpose financial statements of Manistee Township, as of and for the year ended March 31, 2004 as listed in the table of contents. These general purpose financial statements are the responsibility of Manistee Township's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of Manistee Township, as of March 31, 2004, and the results of its operations and cash flows of its proprietary fund types and nonexpendable trust funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated June 22, 2004 on Manistee Township's internal control and compliance with laws and regulations.



Interlochen, MI
June 22, 2004

MANISTEE TOWNSHIP
Government Wide Statement of Net Assets
As of March 31, 2004

	Total
<u>Assets</u>	
Cash & Investments	\$1,515,380
Accounts Receivable	9,901
Accounts Receivable	10,136
Due from Other Funds	8,187
Prepaid Insurance	8,486
Net Assets	<u>276,290</u>
Total Assets	<u><u>1,828,380</u></u>
<u>Liabilities and Fund Balance</u>	
Liabilities	
Accounts Payable	8,237
Retirement Payable	1,791
Deferred Taxes Receivable	9,901
Due to Other Funds/Agencies	0
Note Payable	<u>0</u>
Total Liabilities	19,929
Fund Equity	
Fund Balance - Unreserved	<u>1,808,451</u>
Total Fund Equity	<u>1,808,451</u>
Total Liabilities and Fund Balance	<u><u>\$1,828,380</u></u>

MANISTEE TOWNSHIP
GOVERNMENT WIDE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED MARCH 31, 2004

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets	
	Charges for Services	Operating Contributions	Capital Grants and Contributions	Primary Governmental Activities	Business-type Activities
Primary government					
Governmental activities:					
Legislative	\$121,737	\$0	\$0	(\$121,737)	(\$121,737)
General government	95,235	9,057		(86,178)	(86,178)
Public safety	60,629			(60,629)	(60,629)
Public works	180,923			(180,923)	(180,923)
Health and Welfare	0			0	0
Community and Economic Development	0			0	0
Recreation and Culture	0			0	0
Depreciation	16,686			(16,686)	(16,686)
Interest on Long Term Debt	0			0	0
Total Governmental Activities	475,210	9,057	0	(466,153)	0
Business Type Activities					
Enterprise Funds	0	0		0	0
Total Primary Government	\$475,210	\$9,057	\$0	(\$466,153)	\$0
Component Unit					
EDC	0	0			0

General revenues:					
Taxes					
Property Taxes-general			\$152,299	\$0	\$152,299
Property Taxes-debt service			0		0
State-Shared Revenues			209,087	0	209,087
Unrestricted Investment Earnings			17,640		17,640
Franchise taxes			15,919		15,919
Contributions			0		0
Miscellaneous			50,738	0	50,738
Transfers			0	0	0
Total General Revenues-Special Items and Transfers			445,683	0	445,683
Changes in Net Assets			(20,470)	0	(20,470)
Net Assets - Beginning			1,828,921	0	1,828,921
Net Assets - Ending			\$1,808,451	\$0	\$1,808,451

Net Income Per Governmental Balance Sheet	(\$3,784)
Less Depreciation	16,686
Net Income Per Statement of Activities	(\$20,470)

THE FOOTNOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

MANISTEE TOWNSHIP
Governmental Funds Balance Sheet
As Of March 31, 2004

	<u>Governmental Fund Types</u>		
	General	Non Major Funds	Total (Memo Only)
<u>Assets</u>			
Cash & Investments	\$1,512,391	\$2,989	\$1,515,380
Accounts Receivable taxes	9,901	0	9,901
Accounts Receivable	10,136	0	10,136
Due from Other Funds	8,187	0	8,187
Prepaid Insurance	8,486	0	8,486
Buildings & Improvements	0	0	0
Machinery & Equipment	0	0	0
Total Assets	<u>1,549,101</u>	<u>2,989</u>	<u>1,552,090</u>
<u>Liabilities and Fund Balance</u>			
Liabilities			
Accounts Payable	8,237	0	8,237
Retirement Payable	1,791	0	1,791
Deferred Taxes Receivable	9,901	0	9,901
Due to Other Funds/Agencies	0	0	0
Note Payable	0	0	0
Total Liabilities	<u>19,929</u>	<u>0</u>	<u>19,929</u>
Fund Equity			
Fund Balance - Unreserved	<u>1,529,172</u>	<u>2,989</u>	<u>1,532,161</u>
Total Fund Equity	<u>1,529,172</u>	<u>2,989</u>	<u>1,532,161</u>
Total Liabilities and Fund Balance	<u>\$1,549,101</u>	<u>\$2,989</u>	<u>\$1,552,090</u>
Fund Balance Per All Government Funds			\$1,532,161
Add Net Assets			<u>276,290</u>
Fund Balance Per Balance Sheet			<u>\$1,808,451</u>

MANISTEE TOWNSHIP

Combined Statement of Revenues, Expenditures and Changes in Fund Balance

All Governmental Fund Types

For the Year Ended March 31, 2004

	<u>Governmental Fund Types</u>		
	General Fund	Non Major Funds	Total (Memo Only)
<u>Revenues</u>			
Taxes	\$115,033	\$0	\$115,033
Admin Fees	37,266	0	37,266
Licenses	6,043	0	6,043
State Grants	207,961	1,126	209,087
Charges for Services	9,057	0	9,057
Interest & Rentals	37,962	0	37,962
Other Revenues	40,292	0	40,292
Total Revenues	453,614	1,126	454,740
<u>Expenditures</u>			
Current			
Legislative	121,737	0	121,737
General Government	95,235	0	95,235
Public Safety	59,609	1,020	60,629
Public Works	180,923	0	180,923
Legal Fees	0	0	0
Total Expenditures	457,504	1,020	458,524
Excess Revenue (Expenditures)	(3,890)	106	(3,784)
Fund Balance - Beginning of Year	1,533,062	2,883	1,535,945
Prior Period Adjustments	0	0	0
Fund Balance - End of Year	\$1,529,172	\$2,989	\$1,532,161

MANISTEE TOWNSHIP
COMBINED STATEMENT OF REVENUE, EXPENDITURES & CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
ALL GOVERNMENTAL FUNDS
FOR THE YEAR ENDED MARCH 31, 2004

	General Fund		Special Revenue Funds			Total (Memorandum Only)		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual
REVENUE								
Taxes	\$87,000	\$115,033	\$28,033	\$0	\$0	\$0	\$87,000	\$115,033
Licenses	6,000	6,043	43	0	0	0	6,000	6,043
State Grants	175,000	207,961	32,961	900	1,126	226	175,900	209,087
Charges for Services	6,000	20,322	14,322	0	0	0	6,000	20,322
Interest & Rentals	62,000	54,906	(7,094)	0	0	0	62,000	54,906
Other Revenues	4,500	49,349	44,849	0	0	0	4,500	49,349
TOTAL REVENUES	340,500	453,614	113,114	900	1,126	226	341,400	454,740
EXPENDITURES								
Legislative	138,900	121,737	17,163	0	0	0	138,900	121,737
General Government	169,625	95,235	74,390	0	0	0	169,625	95,235
Public Safety	94,835	59,609	35,395	0	0	0	94,835	59,609
Public Works	311,000	180,923	130,077	0	0	0	311,000	180,923
Liquor	0	0	0	900	1,051	(151)	900	1,051
Legal Fees	0	0	0	0	0	0	0	0
TOTAL EXPENDITURES	714,360	457,504	257,025	900	1,051	(151)	715,260	458,555
EXCESS OF REVENUES OVER (UNDER) EXPENDITURE	(373,860)	(3,890)	(143,911)	0	75	377	(373,860)	(3,815)
FUND EQUITY APRIL 1, 2003		1,533,062			2,808			1,535,870
PROIR PERIOD ADJUSTMENTS		0			0			0
FUND EQUITY MARCH 31, 2004		\$1,529,172			\$2,883			\$1,532,055

The footnotes are an integral part of these Financial Statements

MANISTEE TOWNSHIP
Statement of Changes in Assets and Liabilities
All Agency Funds
For the Year Ended March 31, 2004

<u>Assets</u>	Beginning Balance April 1, 2003	Additions/ (Deductions)	Ending Balance March 31, 2004
Cash	\$92,065	(\$83,878)	\$8,187
Total Assets	92,065	(83,878)	8,187
<u>Liabilities</u>			
Due to Other Agencies	71,673	(71,673)	0
Due to Other Funds	20,392	(12,205)	8,187
Total Liabilities	\$92,065	(\$83,878)	\$8,187

The footnotes are an integral part of these Financial Statements.

Manistee Township

Notes to Financial Statements

March 31, 2004

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

Manistee Township is a general law Township located in Manistee County. The governing body of the Township is the Township Board which is composed of the supervisor, the clerk, the treasurer and two trustees. The Township provides the approximately 3,000 residents with fire protection, road maintenance, trash removal, street lighting and other services.

The financial statements of the Township include those of separately administered organizations that are controlled by or dependent on the Township for financial support. Control or dependence is based on such items as budgetary control, taxing authority, appointment of controlling or governing boards, and other criteria as outlined in GASB Statement #14.

No other organizations or governmental entities are considered in this report using these definitions.

B. Basis of Presentation

The accounts of the government are organized and operated on the basis of funds and account groups. A fund is an independent fiscal and accounting entity with a self balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds are maintained consistent with legal and managerial requirements. Account groups are a reporting device to account for certain assets and liabilities of the governmental funds not recorded directly in those funds.

The financial statements of the Township are presented in a series of self balancing funds and account groups. The account groups include all fixed assets and all long term debt.

The accounting policies of Manistee Township conform to generally accepted accounting principles and include the following fund types

1. Government Fund Types use modified accrual basis and include -

The general funds account for fiscal resources in use for general types of operations. The general fund is a budgeted fund and any fund balances are considered as resources available for use. Revenues are derived primarily from property taxes and state and federal distributions, grants and other intergovernmental revenues.

The special revenue funds account for specific governmental revenues requiring separate accounting because of legal or regulatory provisions or administrative action. These funds are employed to maintain integrity for the various sources of fund.

2. Fiduciary fund types include -

The Trust and Agency Fund is unbudgeted and accounts for activities within those areas where in the Township is operating in either a trust or agency status. These funds have no equity, assets are equal to liabilities, and do not include revenues and expenditures for general operations of the Township.

C. Basis of Accounting

All governmental funds use the modified accrual basis of accounting. Under this method, revenues are recognized when received in cash except for those which are reasonable to accrue. These are recorded as receivable when measurable. Specific types of tax revenue are reported as deferred revenue which are expected to be collected within sixty days. Other delinquent revenue not expected to be recovered within 60 days are reported only in the footnotes. Expenditures are recorded when the liability is incurred, except for interest on long term debt which is recorded as payments are made with an adjustment to account for accrued interest at year end.

D. GASB 34

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely, to a significant extent, on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Revenues and expenses are recognized on the accrual basis using the economic resources measurement focus. Based on Governmental Accounting Standards Board (GASB) Statement No. 20 *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting*, as amended, the Township has elected to apply the provisions of all relevant pronouncements of the Financial Accounting Standards Board (FASB), including those issued after November 30, 1989, that do not conflict with or contradict GASB pronouncements.

E. Use of Estimates

The process of preparing financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

F. Measurement Focus

The accounting and reporting treatment applied to a fund is determined by the current reporting standards of measurement focus. Thus all governmental funds are accounted for on a financial flow measurement basis. This means that only current assets and liabilities are presented on the Balance Sheets and operating statements measure increases and decreases in these net current assets. On the GASB 34 statements all assets and liabilities are presented in the Government Wide Statements.

G. Budgets

All funds are under formal budgetary control. Budgets shown in the financial statements are prepared on a modified accrual basis and consist of those amounts which are controlling during the formal budget approval process as original and as amended by the Township Board. Line items contained within the original budget are appropriated and amended only on a activity departmental basis.

H. Fixed Assets

All fixed assets are recorded in the Balance Sheet of the Government Wide Statements. This includes all assets which are considered of value to the Township and do not include public domain assets such as roads, sidewalks and drains. The full accrual basis makes provision for the depreciation of these assets. These assets are valued at historical cost when purchased or Fair Market Value as of the date they have been donated to the Township. Depreciation is based on straight line depreciation with lives from 10 to 50 years.

I. Long Term Debt

The Township has no long term debt.

J. Property Taxes

Properties are assessed as of December 31 and the related property taxes become a lien the following July 1 and/or December 31. Real property taxes are collected by the Township Treasurer through February 28th of each year. Any uncollected real property taxes are returned to be collected by the County Treasurer. Personal property taxes continue to be collected by the Township Treasurer. The amount collected for this fiscal year are:

Administrative Fee	\$ 17,656
Township Tax	116,773

The State Equalized Value (SEV) and taxable values are:

	<u>Real Property</u>	<u>Personal Property</u>	<u>Total</u>
SEV	\$ 118,171,839	\$ 11,156,084	\$ 129,327,923
Tax. Value	\$ 82,664,914	\$ 11,156,084	\$ 93,820,998

The millage for the current year is:

Township Operating	1.4190	Admin Fee	1.000
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NOTE 2 - BUDGET APPROPRIATIONS

Public Act 621 of 1978, Section 18, provides that a local unit shall not incur expenditures in excess of the amount appropriated. Given the amendments actually approved there are no material budget variances. Information on budget categories has been included for information only. The budget appropriation is for department only and hence is the legal controlling amount.

NOTE 3 - DEPOSITS WITH FINANCIAL INSTITUTIONS

A. Legal Provisions

Act 20, Public Acts of 1943, as amended by Act 217, Public Acts of 1982, states that the Manistee Township, by resolution, may authorize the Treasurer to invest surplus funds as follows:

1. In bonds and other direct obligations of the United States or an agency or instrumentality of the United States.
2. In certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank which is a member of the Federal Deposit Insurance Corporation or a savings and loan association which is a member of the Federal Savings and Loan Insurance Corporation or a credit union which is insured by the National Credit Union Administration, but only if the bank, savings and loan association, or credit union complies with subsection (2).
3. In commercial paper rate at the time of purchase within the three highest classifications established by not less than two standard rating services and which matures not more than 270 days after date of purchase. Not more than 50% of any fund may be invested in commercial paper at any time.
4. In United States government or federal agency obligation repurchase agreements.
5. In bankers' acceptances of United States banks.
6. In mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

NOTE 4 - TYPES OF DEPOSITS AND INVESTMENTS

The Township had \$936,827 in certificates of deposit with local banks, of which \$100,000 is insured. This would leave balances of cash as follows:

Deposits	<u>Per Bank</u>	<u>Carrying Value</u>
Insured & Uncollateralized-General	\$ 55,300	\$ 55,300
Insured and Uncollateralized-Tax	50,124	8,187

Funds in Municipal Funds Not Weighted as to Risk- LUG \$ 533,061

In addition, the Township has \$100 in petty cash.

NOTE 5 - PROPERTY TAXES

As of March 31, 2004, \$9,901 of property taxes were delinquent.

NOTE 6 - INTERFUND ACCOUNTS

There were no inter-fund loans or advances during the audit year. The only interfund activity was the transfer from the trust and agency fund due to tax collections and the interest accumulated which is due to the general fund.

NOTE 7 - INVENTORIES

No material parts or supply inventories are maintained by the Township.

NOTE 8 - FIXED ASSETS

Manistee Township maintains fixed asset detail records. These amounts were adjusted to account for all assets with a value in excess of \$5,000. All depreciation is computed using straight line with lives of 30-50 years for buildings, 15 years for equipment and 10-25 years for fire vehicles. Detailed information concerning these accounts is as follows:

	04/01/03			03/31/04
	<u>Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u>
Buildings	\$233,212	\$0	\$0	\$233,212
Equipment	35,600	0	0	35,600
Fire Vehicles	211,877	0	0	211,887
Total Fixed Assets	\$515,899	\$0	\$0	\$515,899

Accumulated Depreciation

	04/01/03			03/31/04
	<u>Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u>
Buildings	\$ 96,824	\$5,644	\$0	\$102,468
Equipment	10,267	1,187	0	11,454
Fire Vehicles	115,832	9,955	0	125,687
Total Fixed Assets	\$222,923	\$16,686	\$0	\$239,609

NOTE 9 - PENSION PLANS

Manistee Township's employees participate in either of two plans. One is offered by Municipal Retirement Systems, Inc., and the other by ManuaLife. Both are plans offered under IRS Code Section 401(a).

Municipal Retirement Systems Inc.:

Employees are eligible at age 18 and up to 75, with no restriction on time of service. Vesting is 100% immediate. All funds deposited belong to the employee in the event of death, disability, retirement or job severance. The Township contributed 8% of the employee's annual compensation. Employee's contribute 3% of his/her annual compensation. Municipal Retirement System Inc. provides administrative services for the plan at a current cost of \$155.00 per year. During the plan year ended March 31, 2004, payments made were \$283.68 by the employer and \$121.58 by the employees for a total of \$405.26. All required contributions have been made.

Manufacturers Life:

Employees are eligible at age 21 up to age 75, with no restriction on time of service. Employees are 100% vested after 20 months of service. Funds become payable in the event of termination of employment, retirement, disability or death. ManuLife provides administrative services for the plan. The Township contributes 75% of the current cost and 100% of past service cost at \$1.50 per benefit month for each year of eligible past service, 10 year maximum. The contributions for the year ended March 31, 2004 were \$2,480 for the employer and \$2,627 for the employees for a total contribution of \$5,107. All required contributions were made.

NOTE 10 - CONTINGENT LIABILITIES

Township officials are aware of no contingent liabilities on the part of the Township.

NOTE 11 - TOTAL COLUMN ON COMBINED STATEMENTS

The total column on the combined statements overview is captioned "Memo Only" to indicate that it is presented only to facilitate financial analysis. Data in this column does not present financial position, results of operations, or changes in financial position in conformity with generally accepted accounting principles. Interfund eliminations have not been made in the aggregation of this data.

NOTE 12 - COMPENSATED ABSENCES

The Township does not compensate for vacation or sick time and as such there is no computed liability for compensated absences. The Township does not have a liability for post retirement benefits.

NOTE 13 - RISK MANAGEMENT

All risk management is done through the use of commercial insurance.

SUPPLEMENTAL DATA SECTION

Wilson, Ward CPA Firm

P.O. Box 205
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To the Board of Directors
Manistee Township, MI

We have audited the combined financial statements of Manistee Township for the year ended March 31, 2004. Our audits were made for the purpose of forming an opinion on the combined financial statements taken as a whole. The accompanying schedules, as listed in the table of contents, are presented for purposes of the additional analysis and are not a required part of the combined financial statements. Such information has been subjected to the auditing procedures applied in the audits of the combined financial statements and, in our opinion, is fairly stated in all material respects in relation to the combined financial statements taken as a whole.

Wilson, Ward CPA Firm

Interlochen, MI
June 22, 2004

General Fund

MANISTEE TOWNSHIP

Balance Sheet

General Fund

As Of March 31, 2004

Assets

Cash & Investments	\$1,512,391
Accounts Receivable Taxes	9,901
Accounts Receivable	10,136
Prepaid Insurance	8,486
Due from Other Funds	8,187
Total Assets	<u>1,549,101</u>

Liabilities and Fund Balance

Liabilities

Accounts Payable	8,237
Retirement Payable	1,791
Deferred Taxes	9,901
Due to T&A Fund	0

Fund Equity

Fund Balance	<u>1,529,172</u>
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Total Liabilities and Fund Equity	<u>\$1,549,101</u>
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The footnotes are an integral part of these Financial Statements.

MANISTEE TOWNSHIPStatement of Revenues, Expenditures and Changes in Fund Balance
General Fund

For the Year Ended March 31, 2004

	Original Budget	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenue				
Current Property Taxes	\$75,000	\$75,000	\$105,142	\$30,142
Delinquent Taxes	12,000	12,000	9,892	(2,108)
Licenses and Permits	6,000	6,000	6,043	43
Garbage Millage	0	0	0	0
State Shared Revenues	175,000	175,000	207,961	32,961
Admin Fees	20,000	20,000	37,266	17,266
Earned Interest	42,000	42,000	17,640	(24,360)
Rents and Royalties	6,000	6,000	20,322	14,322
Service Revenue	4,000	4,000	9,057	5,057
Refunds	0	0	10	10
Little River Band	0	0	34,941	34,941
Other Income	500	500	5,341	4,841
Total Revenues	340,500	340,500	453,614	113,114
Expenditure				
Legislative				
Township Board:				
Salaries and Wages	8,900	8,900	8,740	160
Pension	5,300	5,300	8,527	(3,227)
Office Supplies	20,000	20,000	14,418	5,582
Professional Services	30,000	30,000	20,771	9,229
Insurance and Bonds	18,000	18,000	20,245	(2,245)
Education and Dues	6,000	6,000	5,873	127
MRA/Support Contract	10,000	10,000	3,008	6,992
Misc	700	40,700	40,155	545
Capital Outlay	0	0	0	0
Total Township Board	98,900	138,900	121,737	17,163
General Government:				
Economic Development	10,000	10,000	3,045	6,955
Township Supervisor:				
Salaries and Wages	9,200	9,800	9,743	57
Mileage and Travel	1,800	1,800	1,800	0
Total Township Supervisor	11,000	11,600	11,543	57
Elections:				
Salaries and Wages	2,500	2,500	259	2,241
Office Supplies	7,000	7,000	0	7,000
Total Elections	\$9,500	\$9,500	\$259	\$9,241

The footnotes are an integral part of these Financial Statements.

MANISTEE TOWNSHIP

Statement of Revenues, Expenditures and Changes in Fund Balance

General Fund

For the Year Ended March 31, 2004

	Original Budget	Revised Budget	Actual	Variance Favorable (Unfavorable)
Assessor:				
Professional Services	\$46,000	\$46,000	\$22,500	\$23,500
Professional Supplies	25,000	25,000	4,189	20,811
Total Assessor	71,000	71,000	26,689	44,311
Clerk:				
Salaries and Wages	14,100	14,100	14,833	(733)
Deputy Clerk	1,200	1,200	0	1,200
Total Clerk	15,300	15,300	14,833	467
Board of Review:				
Salaries and Wages	1,200	1,200	990	210
Pension	125	125	0	125
Total Board of Review	1,325	1,325	990	335
Treasurer:				
Salaries and Wages	11,100	11,100	12,200	(1,100)
Deputy Treasurer	4,000	4,000	4,281	(281)
Tax Collection Assistant	3,000	3,000	163	2,837
Total Treasurer	18,100	18,100	16,644	1,456
Township Hall and Grounds:				
Salaries and Wages	8,500	8,500	6,948	1,552
Public Utilities	6,800	6,800	6,818	(18)
Maintenance and Repairs	15,000	15,000	4,785	10,215
Telephone	2,500	2,500	2,681	(181)
Total Township Hall	32,800	32,800	21,232	11,568
Total General Government	169,025	169,625	95,235	74,390
Public Safety:				
Fire Protection				
Salaries & Wages	12,300	12,300	8,214	4,086
Supplies	11,150	11,150	6,139	5,011
Gas/Oil	7,500	7,500	4,833	2,667
Education and Training	1,500	1,500	240	1,260
Insurance	4,500	4,500	2,335	2,165
Public Utilities	6,125	6,125	4,091	2,034
Telephone	900	900	634	266
Capital Outlay	0	0	0	0
Fire Truck and Equipment	25,000	25,000	15,192	9,808
Total Fire Protection	\$68,975	\$68,975	\$41,678	\$27,297

The footnotes are an integral part of these Financial Statements.

MANISTEE TOWNSHIP

Statement of Revenues, Expenditures and Changes in Fund Balance

General Fund

For the Year Ended March 31, 2004

	Original Budget	Revised Budget	Actual	Variance Favorable (Unfavorable)
Planning and Zoning:				
Salaries and Wages	\$10,500	\$10,500	\$5,940	\$4,560
Retirement	0	0	0	0
Education and Dues	300	300	10	290
Expense Fund	360	360	180	180
Millage and Travel	0	0	0	169
Total Planning and Zoning	11,160	11,160	6,130	5,199
Board of Appeals:				
Salaries and Wages	7,500	12,500	11,167	1,333
Education	1,200	1,200	634	566
Retirement	1,000	1,000	0	1,000
Total Board of Appeals	9,700	14,700	11,801	2,899
Total Public Safety	89,835	94,835	59,609	35,395
Public Works:				
Street Lighting	12,000	12,000	10,423	1,577
Road Construction	209,000	209,000	90,287	118,713
Garbage Collection	90,000	90,000	80,213	9,787
Total Public Works	311,000	311,000	180,923	130,077
Total Expenditures	668,760	714,360	457,504	257,025
Excess Revenues	(328,260)	(373,860)	(3,890)	(143,911)
Fund Balance - Beginning of Year			1,533,062	
Prior Period Adjustment			0	
Fund Balance - End of Year			<u>\$1,529,172</u>	

The footnotes are an integral part of these Financial Statements.

Special Revenue Fund

MANISTEE TOWNSHIP
Balance Sheet
Liquor Law Enforcement Fund
As Of March 31, 2004

<u>Assets</u>	
Cash	<u>\$2,989</u>
<u>Liabilities & Fund Equity</u>	
Fund Balance	<u>\$2,989</u>

The footnotes are an integral part of these Financial Statements.

MANISTEE TOWNSHIP
Statement of Revenues, Expenditures & Changes in Fund Balance
Budget vs. Actual
Liquor Law Enforcement Fund
For The Year Ended March 31, 2004

	<u>Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable)</u>
<u>Revenues</u>			
License Fees	\$900	\$1,126	\$226
<u>Expenditures</u>			
Liquor Inspector	900	1,020	(120)
Excess Revenue (Expenditures)	0	106	106
Fund Balance - Beginning of Year		2,883	
Fund Balance - End of Year		<u>\$2,989</u>	

The footnotes are an integral part of these Financial Statements.

WILSON, WARD CPA FIRM

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June 22, 2004

Mr. John W Anderson
Supervisor
Manistee Township
Manistee, MI 49660

The primary purpose of this letter is to prepare, for management, information which delineates those items encountered during the course of the audit which were either not related to the financial, internal control and compliance reports or were not material enough to comment on relative to them. However, these items might be significant when viewed from a management perspective or in the longer term. This letter is intended only for the use of management and any other parties not informed of these matters might misconstrue their meanings.

Our Responsibility under Generally Accepted Auditing Standards

Our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with general accepted accounting principles. Because of the concept of reasonable assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors, irregularities, or illegal acts, including fraud and defalcations, may exist and not be detected by us.

As part of our audit, we considered the internal control structure of the Manistee Township. Management has the responsibility for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for safeguarding assets and for maintaining the structure of the internal control system to help assure the proper recording of transactions. Our consideration of the system of internal control was solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control structure.

Significant Accounting Policies

Management has the responsibility for selection of appropriate accounting policies. In accordance with the terms of our engagement, we will advise management of the appropriateness of the accounting policies and their application. The significant accounting policies used by the Manistee Township are listed in Note 1. No new accounting policies were adopted and the application of existing policies was not changed during the fiscal year. We noted no transactions entered into the Manistee Township during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, of transactions for which there is a lack of authoritative guidance or consensus.

Management Judgements and Accounting Estimates

Some accounting estimates are utilized in financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. Our conclusions regarding the reasonableness of the estimates are based on reviewing and testing the historical data provided by management and using this data to compute the liability.

Disagreements with Management

For the purpose of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of the audit.

Significant Audit Adjustments

For purposes of this letter, professional standards define a significant audit adjustment as a proposed correction of the general purpose financial statements that, in our judgment, may not have been detected except through our auditing procedures. These adjustments may include those proposed by us but not recorded by the Manistee Township that could potentially cause future financial statements to be materially misstated, even though we have concluded such adjustments are not material to the current financial statements. Our audit adjustments, individually and in the aggregate, have a significant effect on the financial reporting process.

With each passing year the improvements in the mechanized accounting system continue. The increase in efficiency and information dissemination was very apparent. With continuation of increased utilization of the accounting system and minor changes discussed during field work, this system will allow for enhanced reporting and financial management.

The Treasurers office, once again, has excellent records, with information clearly shown and readily available. In the test of controls, all internal controls are being used wisely with double checks on all amounts, distributions and deposits.

Comment: Revenue from cable franchise fees not monitored for receipt.

Recommendation: Management should monitor the cable franchise fee revenue so that when it doesn't arrive investigations can be made into the situation.

This information is intended solely for the use of the Manistee Township Board and management of Manistee Township and is not intended to be and should not be used by anyone other than those specific parties.

Sincerely,



David E Wilson, CPA